

107TH CONGRESS
1ST SESSION

S. 291

To amend the Internal Revenue Code of 1986 to allow a deduction for State and local sales taxes in lieu of State and local income taxes and to allow the State and local income tax deduction against the alternative minimum tax.

IN THE SENATE OF THE UNITED STATES

FEBRUARY 8, 2001

Mr. THOMPSON (for himself, Mr. FRIST, Mrs. HUTCHISON, and Mr. GRAMM) introduced the following bill; which was read twice and referred to the Committee on Finance

A BILL

To amend the Internal Revenue Code of 1986 to allow a deduction for State and local sales taxes in lieu of State and local income taxes and to allow the State and local income tax deduction against the alternative minimum tax.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “AMT and Tax Deduc-
5 tion Fairness Act of 2001”.

1 **SEC. 2. ALLOWANCE OF STATE AND LOCAL INCOME TAXES**
 2 **AGAINST ALTERNATIVE MINIMUM TAX.**

3 (a) IN GENERAL.—Section 56(b)(1)(A)(ii) of the In-
 4 ternal Revenue Code of 1986 (relating to limitation on de-
 5 ductions) is amended by inserting “(other than State and
 6 local income taxes or general sales taxes)” before the pe-
 7 riod.

8 (b) EFFECTIVE DATE.—The amendment made by
 9 subsection (a) shall apply to taxable years beginning after
 10 the date of the enactment of this Act.

11 **SEC. 3. DEDUCTION OF STATE AND LOCAL GENERAL SALES**
 12 **TAXES IN LIEU OF STATE AND LOCAL IN-**
 13 **COME TAXES.**

14 (a) IN GENERAL.—Subsection (b) of section 164 of
 15 the Internal Revenue Code of 1986 (relating to definitions
 16 and special rules) is amended by adding at the end the
 17 following:

18 “(5) GENERAL SALES TAXES.—For purposes of
 19 subsection (a)—

20 “(A) ELECTION TO DEDUCT STATE AND
 21 LOCAL SALES TAXES IN LIEU OF STATE AND
 22 LOCAL INCOME TAXES.—

23 “(i) IN GENERAL.—At the election of
 24 the taxpayer for the taxable year, sub-
 25 section (a) shall be applied—

1 “(I) without regard to the ref-
2 erence to State and local income
3 taxes,

4 “(II) as if State and local general
5 sales taxes were referred to in a para-
6 graph thereof, and

7 “(III) without regard to the last
8 sentence.

9 “(B) DEFINITION OF GENERAL SALES
10 TAX.—The term ‘general sales tax’ means a tax
11 imposed at one rate with respect to the sale at
12 retail of a broad range of classes of items.

13 “(C) SPECIAL RULES FOR FOOD, ETC.—In
14 the case of items of food, clothing, medical sup-
15 plies, and motor vehicles—

16 “(i) the fact that the tax does not
17 apply with respect to some or all of such
18 items shall not be taken into account in
19 determining whether the tax applies with
20 respect to a broad range of classes of
21 items, and

22 “(ii) the fact that the rate of tax ap-
23 plicable with respect to some or all of such
24 items is lower than the general rate of tax
25 shall not be taken into account in deter-

1 mining whether the tax is imposed at one
2 rate.

3 “(D) ITEMS TAXED AT DIFFERENT
4 RATES.—Except in the case of a lower rate of
5 tax applicable with respect to an item described
6 in subparagraph (C), no deduction shall be al-
7 lowed under this paragraph for any general
8 sales tax imposed with respect to an item at a
9 rate other than the general rate of tax.

10 “(E) COMPENSATING USE TAXES.—A com-
11 pensating use tax with respect to an item shall
12 be treated as a general sales tax. For purposes
13 of the preceding sentence, the term ‘compen-
14 sating use tax’ means, with respect to any item,
15 a tax which—

16 “(i) is imposed on the use, storage, or
17 consumption of such item, and

18 “(ii) is complementary to a general
19 sales tax, but only if a deduction is allow-
20 able under this paragraph with respect to
21 items sold at retail in the taxing jurisdic-
22 tion which are similar to such item.

23 “(F) SPECIAL RULE FOR MOTOR VEHI-
24 CLES.—In the case of motor vehicles, if the rate
25 of tax exceeds the general rate, such excess

1 shall be disregarded and the general rate shall
 2 be treated as the rate of tax.

3 “(G) SEPARATELY STATED GENERAL
 4 SALES TAXES.—If the amount of any general
 5 sales tax is separately stated, then, to the ex-
 6 tent that the amount so stated is paid by the
 7 consumer (other than in connection with the
 8 consumer’s trade or business) to the seller, such
 9 amount shall be treated as a tax imposed on,
 10 and paid by, such consumer.

11 “(H) AMOUNT OF DEDUCTION TO BE DE-
 12 TERMINED UNDER TABLES.—

13 “(i) IN GENERAL.—The amount of
 14 the deduction allowed under this para-
 15 graph shall be determined under tables
 16 prescribed by the Secretary.

17 “(ii) REQUIREMENTS FOR TABLES.—
 18 The tables prescribed under clause (i) shall
 19 reflect the provisions of this paragraph and
 20 shall be based on the average consumption
 21 by taxpayers on a State-by-State basis, as
 22 determined by the Secretary, taking into
 23 account filing status, number of depend-
 24 ents, adjusted gross income, and rates of
 25 State and local general sales taxation.”.

1 (b) EFFECTIVE DATE.—The amendments made by
2 this section shall apply to taxable years beginning after
3 the date of the enactment of this Act.

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